

**Kentucky Department of Insurance
Financial Impact Statement**

- I. Mandating health insurance coverage of BR475 / HB179, is not expected to materially increase administrative expenses of insurers, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. The mandate requires the following:
- a. Requires insurers to submit to the Department of Insurance (DOI) on an annual basis all of the billed charges it receives from both nonparticipating and nonparticipating providers for each health care service. The DOI will provide the reported information to a nonprofit organization to maintain a database of the billed charges to be used as a benchmark for determining the UCR for health care services. UCR is defined as the 80th percentile of all charges for a particular health care service performed by a health care professional in the same or similar specialty and in the same geographical area.
 - b. Requires insurers to reimburse nonparticipating providers for unanticipated out-of-network (OON) care for its insureds, at the lesser of the billed amount or the UCR, less any applicable cost sharing owed by the insured, when the insured did not have the ability to direct that the services be provided by a participating provider. The cost-sharing is not to exceed the cost-sharing that would've been owed if the services had been provided by a participating provider. The nonparticipating provider who is reimbursed the billed amount or the UCR for the unanticipated OON care shall not balance bill the covered insured. Unanticipated emergency care does not include nonemergency health care services when the insured voluntarily selects in writing a nonparticipating provider prior to the provision of services.

The proposed legislation for all insured health benefit plan coverages, not including state employees, is not expected to materially increase administrative expenses of Insurers. It is our assumption that Insurers will have this information readily available and the additional administrative requirements imposed by this mandate would not significantly impact the administrative costs relative to current levels.

The proposed BR475 / HB179, as described above, will increase premiums, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in premiums for health benefit plans, not including state employee plans, is approximately \$2.98 to \$10.44 per member per month (PMPM). This represents an increase of approximately 0.6% to 2.0% or approximately \$14.0 to \$49.1 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

The proposed BR475 / HB179, as described above, will increase the total cost of health care in the Commonwealth, based upon our analysis of the proposed mandate and our experience with similar health insurance benefits. Our estimated increase in the total cost of health care in the Commonwealth for health benefit plans, is approximately \$2.98 to \$10.44 per member per month (PMPM). This represents an increase of approximately 0.6% to 2.0% or approximately \$14.0 to \$49.1 million for all fully insured policies in Kentucky, not including state employees, due to the increased costs for health plans.

Our analysis included the use of data and statistics from L&E's medical manual, actuarial judgement, and a 2018 Annual Data Report provided by DOI.¹

¹ Additionally, as a reasonableness check on our assumptions, an article by Yale Institution for Social and Policy Studies entitled "Surprise! Out-of-Network Billing for Emergency Care in the United States" was used as a reference

Disclosure: L&E made several assumptions in performing the analysis. Several of these assumptions are subject to material uncertainty and it is not unexpected that actual results could materially differ from these estimates if a more in-depth analysis were to be performed. Examples of uncertainty inherent in the assumptions include, but are not limited to, data limitations, the percentage of insureds receiving unanticipated emergency health care services who are able and sign a potentially ineffective and/or confusing waiver acknowledging the use of a nonparticipating provider, the impact this bill may have on provider network reimbursement rate negotiations, the degree to which this bill incentivizes provider's billed charges up to or above UCR rates and how closely the UCR reimbursement rates compare to the average reimbursement rates Insurers are currently pay nonparticipating providers of unexpected emergency health care services.

Disclosure: Due to the material disclosure requirements required therein, we must acknowledge that the content of this report may not comply with Actuarial Standard of Practice No. 41 Actuarial Communications.



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(Signature of Commissioner/Date)

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